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Inside second-tier chains: Big waves in small ponds
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Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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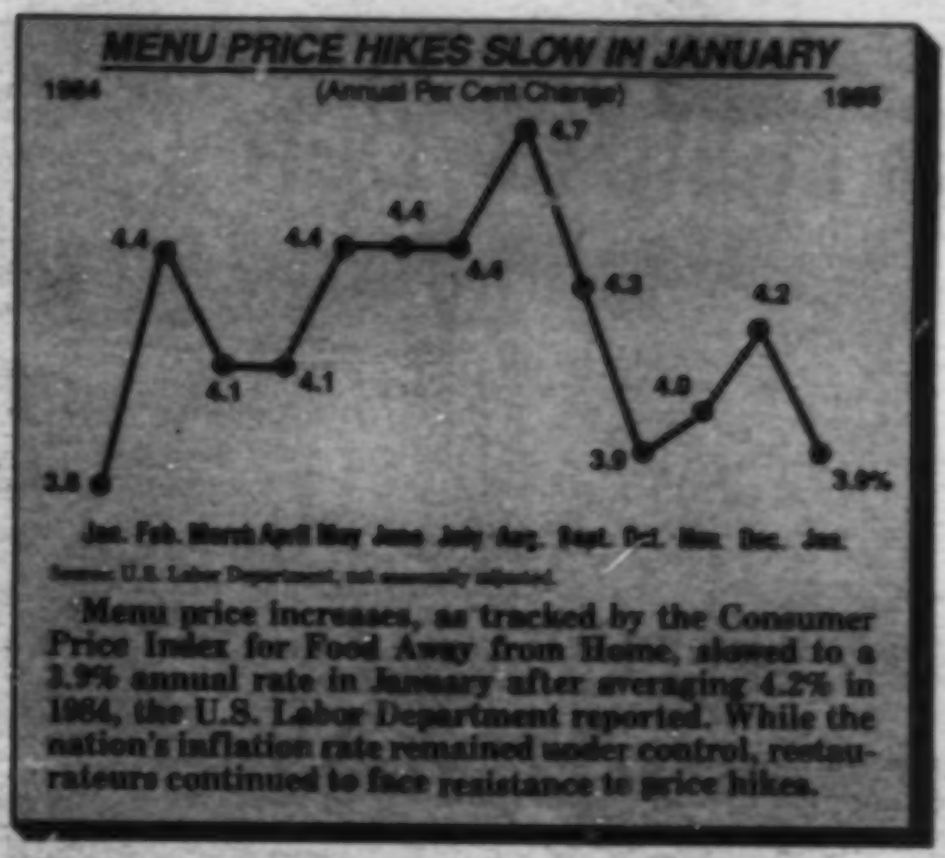


Menu price increases, as tracked by the Consumer Price Index for Food Away from Home, slowed to a 3.9% annual rate in January after averaging 4.2% in 1984, the U.S. Labor Department reported. While the nation's inflation rate remained under control, restaurateurs continued to face resistance to price hikes.

2nd-tier fast feeders outdo dinnerhouses, coffee shops

Post 17.5% sales surge as others suffer setbacks

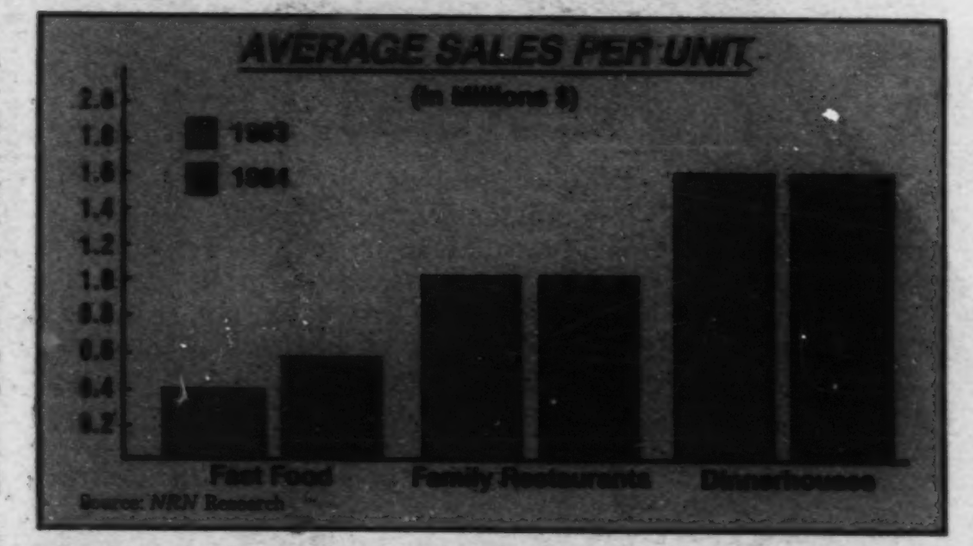
***NRN* Special Report**

Like their counterparts in the Top 100, second-tier fast-food chains outperformed family restaurants and dinnerhouses in 1984, according to an exclusive *Nation's Restaurant News'* survey of second-tier operators.

Second-tier fast feeders reported an average 17.5% jump in average unit sales, to $470,000 last year.

Family restaurants and dinnerhouses, however, suffered

(See RESULTS, page F3)



Peoples to convert failing restaurants

By Howard Riell

RICHARDSON, Tex. — Peoples Restaurants officials have signaled the eventual demise of that concept by signing two preliminary agreements to convert some of their remaining 24 company-owned restaurants to Crab House and Studebaker's units. Peoples will franchise and operate the units as well.

Meanwhile, Max Kendall, a director, has been named president of Peoples, succeeding Thomas Heironimus.

Crippled by recent losses and forced to shutter half of its units in the last three months of 1984, Peoples is now looking for a second chance as a franchisee of the two emerging chains. In fiscal 1984, it lost $23.7 million, compared with a $1.87 million net profit the year before.

Observers pin the huge losses on the family restaurant chain's having "alienated" customers early last year by drastically changing its

(See PEOPLE'S, page 171)

A print ad from Hardee's breakfast campaign. Inset: Jack Laughery.

Burger giants mount breakfast ad battle

By David Zuckerman

Fast-food burger giants, led by Hardee's (No. 4), Burger King (No. 2) and Wendy's (No. 3), are back on the warpath. But this time the heavy artillery consists of biscuits, croissants and omelets rather than beef, and the battleground is breakfast.

A major advertising push, already under way at Hardee's and slated for later this year by Burger King and Wendy's, will showcase the variety of breakfast products that have emerged on the fast-food landscape. As usual in this sector of the market, all guns will be trained on No. 1 McDonald's, which has dominated with its Egg McMuffin-biscuit breakfast combination.

While the fast-food segment has vastly increased its share of the breakfast market in recent years—from less than

(See BREAKFAST, page 171)

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Independents launch cafes

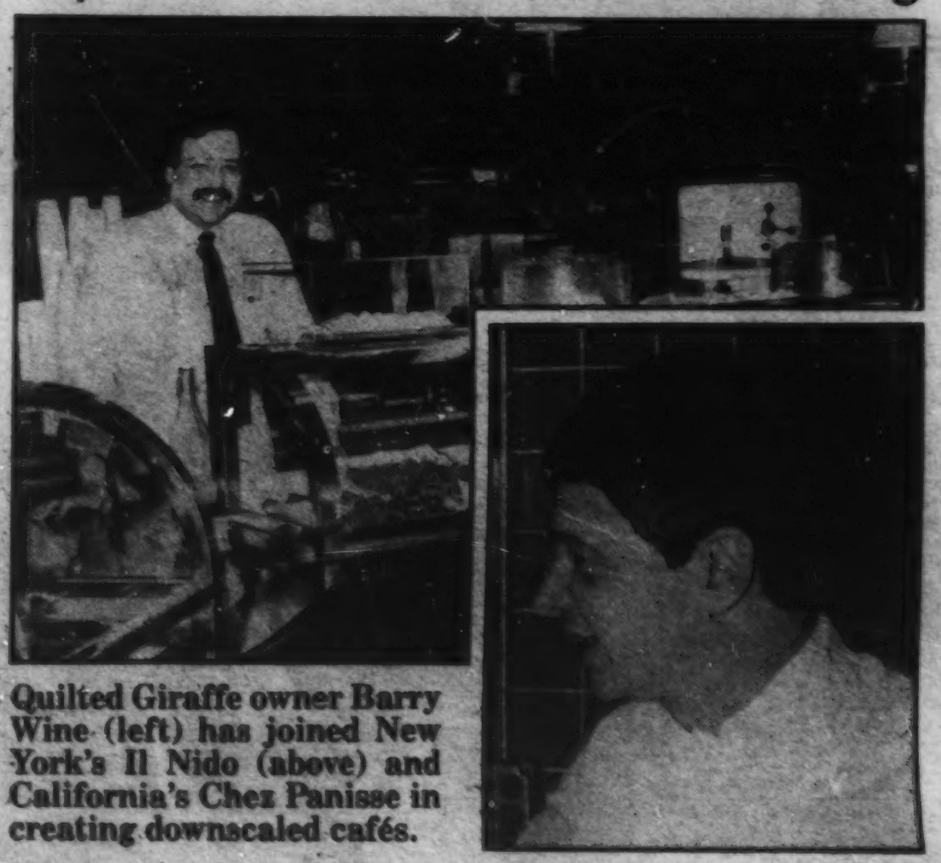
High-ticket operators branch into casual dining

By Paul Frumkin

NEW YORK — With their decision to open a café and takeout operation in the arcade of the new AT&T headquarters here, Quilted Giraffe owners Barry and Susan Wine have joined an exclusive group of upscale independent restaurateurs who have chosen to branch out into a more casual segment.

During the past year both Alice Waters, owner of Chez Panisse in Berkeley, Calif., and Adi Giovannetti, owner of Il Nido and Il Monello in New York, have also launched downscaled operations—Café Fanny and Il Nido Café, respectively—featuring smaller menus, less complicated preparations and lower check averages.

(See CAFES, page 17)



Quilted Giraffe owner Barry Wine (left) has joined New York's Il Nido (above) and California's Chez Panisse in creating downscaled cafés.

Congress takes new look at meal tax credits

By Ken Rankin

WASHINGTON — Congress is considering a bill offering businesses tax deductions for off-premises meals in restaurants—a change that could boost total food-service industry sales by nearly $1 billion annually.

The measure, a slightly updated version of legislation sponsored by Rep. Guy Vander Jagt (R-Mich.) during each of the past two sessions, would amend the Federal tax code to permit companies without on-site cafeterias to purchase meals for workers in commercial restaurants.

Under the present law employee meals are deductible only if they are provided on premises for the "convenience" of the employer. Vander Jagt's new bill would allow off-premises employee meal deductions only to concerns that do not now provide on-site eating facilities for workers—a concession to contract feeders who opposed earlier versions of the proposal.

In addition, the deductions would be available only to employers who are "unable to justify economically the operation of on-premise eating facilities giving due consideration to capital and operating costs."

Vander Jagt's bill would further limit off-premises employee meal deductions to meals "provided in kind, not in cash" and to food "furnished within a time-frame consistent with the employer's established meal schedule."

When the off-premises meal deduction plan was first advanced in the early 1980's, National Restaurant Association officials released a study indicating such a tax change would generate $750 million in new sales revenue for the food-service industry annually and create as many as 42,000 additional jobs in the nation's restaurants. Despite the NRA's active support, however, the proposal generated stiff opposition from the food-vending industry. Although the House held brief hearings on the measure last year, the bill never came to a vote.

In reintroducing the modified version in this year's Congress, aides to Vander Jagt expressed hope the measure would clear the committee and reach the full House. "We're counting on continued support from the restaurant industry," said a spokesman.

Rep. Guy Vander Jagt
(R-Mich.)

Ramada overhauling restaurants

Designs 11 concepts tailored to markets

PHOENIX — Ramada Inns is developing at least 11 new restaurant concepts as part of a complete overhaul of its company-owned hotel food and beverage outlets, according to food and beverage vice president Bob Lansdell.

The first 11 hotel restaurants to be renovated will each be given a new decor and menu package tailored to its local market.

"We'll look at those 11 to see how they do and how adaptable the concepts are to other sites," Lansdell said.

Similarly, the 11 lodging properties will serve as test sites of sorts for new lounge concepts. "We intend to use 11 different themes, but we may get hooked by a name we like," he said.

Lansdell and his three-person f&b "team" are still working on the concepts for the first 11 renovation sites. The goal, he said, is to come up with "a unique and creative product at competitive prices."

*(See **RAMADA**, page 153)*

Reviewing plans for one of Ramada's new restaurant concepts are (l. to r.): lounge concept director Ken Detwiler, f&b vice president and project leader Bob Lansdell, corporate food production chef Carlos Luengas and f&b field coordinator Sylvain Touati.

Minorities still face barriers to success

By Charles Bernstein

EAST LANSING, Mich. — A panel of leading food-service and hotel chain recruiters emphasized the difficulties facing blacks entering the industry and trying to advance.

"Most blacks still see this as a service industry," declared Holiday Inns employment manager Nat Alston in a discussion on "Overcoming the Barriers to Minority Recruiting" during Michigan State University's Hotel, Restaurant and Institutional Management School (HRI) annual Career Expo. "Blacks generally are stereotyped, and do not feel they can go beyond being unit managers," he added.

Whites have the "O. J. Simpson superstar syndrome" about blacks in this business, Alston asserted. "Everyone wants to hire a superstar, but they aren't so interested in the other 99% of well-qualified people."

He deplored the fact that "blacks usually are stereotyped as cooks and such" and are not considered for other positions. At the same time, he said, minority people "see hotel-restaurant schools as pots-and-pans work. We've got to educate and sell them on the hospitality industry as a profession."

Asked by chain recruiters in the audience whether he favored a special minority career day, Alston declared, "There is no place for a majority career day and a minority career day, just for one career day equally all." He warned that most recruiters are "ma-

*(See **MINORITIES**, page 171)*

COMMODITIES

Lettuce, cocoa prices down, beef and pork stable

***NRN* Special Report**

Lettuce, that "yo-yo" priced vegetable that virtually every food-service operator uses, is down in price again as *Nation's Restaurant News* goes to press. With the average grower's break even point somewhere between $4 and $5, when lettuce (f.o.b packing shed or field pack) drops under $4, it means lean times for growers. Yet, in a few weeks the price might well be up to $7 to $8.

The wide price swings are caused by three factors: supply, demand and the fact that lettuce is a highly perishable item that cannot be stockpiled when the supply outpaces demand. Supply, of course, is dependent upon actual production, which means weather is a major factor. A few days of unexpected cold weather can slow production, a few days of extremely hot weather can speed growth, but burn heads, so many are not marketable.

While food-service demand is relatively constant, the operator is at the mercy of the retail grocery market as long as lettuce is purchased on price alone. Many growers and packers provide a food-service pack at a fairly stable price level, somewhat higher than the lows and somewhat lower than the highs in price. This permits the operator to project costs and eliminates the need for frantic price "shopping" and the attendant risk of ending up with unsuitable product.

* * *

Fears that manufacturers would tack another price increase on chocolate and cocoa drinks have receded as the world price of raw cocoa dropped substantially over the past month. Reason: The crops from the Ivory Coast, the largest producer, and Brazil, which is increasing production each year, have been larger than expected.

The African nation, in particular, has been selling heavily since the beginning of the year, and prices have softened considerably. This should stave off any price increases for the finished product.

There is a loosely knit control group for cocoa, the International Cocoa Organization. It tries to impose shipping quotas on members and has, with little success, attempted to support prices by buying cocoa when market supplies grow too large.

Unlike the coffee producers organization, the cocoa group has largely been ineffectual, because many of its producer member countries ignore restrictions when they have good supplies. Of course, this benefits the operator, at least short term.

Coffee prices are another matter. A good deal of the last Brazilian crop was below par in quality, with coffee roasters looking for other sources.

At the same time, a number of the Latin American countries that also provide the mild arabica beans which American coffee drinkers prefer are involved in internal turmoil,which has affected the production of coffee. In some countries where coffee is a major export dollar earner, guerrillas routinely disrupt coffee harvesting and shipping in an attempt to topple their government.

Even in those Latin American countries where production is not affected by terrorists, poor weather delayed harvests. There is hope for an easing of the price/supply situation soon, however. Supplies of coffee from those areas are expected to increase through the end of this month as countries attempt to fill their first-quarter quota set under the International Coffee Agreement.

That agreement is set by the International Coffee Organization, a compact of both grower and consumer countries, including the United States. The ICO supports raw coffee prices (and therefore

*(See **LETTUCE**, page 153)*

PRICE MOVEMENT AT A GLANCE

	Feb. 25, 1984	Jan. 25, 1985	Feb. 25, 1985
Beans, pinto, dried, Colo. (cwt.)	$21.00	$19.50	$19.00-19.50
Beef, Choice, 700-900 lb., Midwest (lb.)	$1.02	$0.98	$0.97
Broccoli, No. 1, Calif. (14s)	$9.00-10.00	$7.00-8.00	$4.00
Broilers, Grade A dressed, icepack, NYC (lb.)	$0.6565	$0.5558	$0.5354
Cocoa, Ivory Coast, NYC docks (lb.)	$1.202	$1.076	$1.052
Coffee, green bean, Brazilian, NYC dock (lb.)	$1.52	$1.42	$1.45
Eggs, Grade A, large white, Chicago (doz.)	$0.97	$0.65-0.68	$0.54-0.57
Lettuce, iceberg, No. 1, Calif. (24s)	$4.00-5.00	$6.00-8.00	$3.00-4.00
Pear halves, Choice HS, Northwest (6/10)	$15.25	$17.75	$18.25
Pork loins, No. 1, 14-17 lb., Midwest (lb.)	$0.91	$1.01	$0.88

Source: *NRN* Research

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COVER STORY

SECOND-TIER CHAINS:

BIG FISH MAKE WAVES IN SMALL PONDS

By Joe Edwards

If there exists a hunting ground for the major food-service companies, it is the industry's second tier—that vast universe of chains operating in local and regional markets.

While competing directly and often quite effectively with the Top 100 chains, many of the strongest second-tier performers provide concept and product inspiration to the McDonald's and Burger Kings of the world.

Even though many second-tier chains such as D'Lites and Fuddruckers are expanding rapidly, many others seem content with their status as the big fishes in small ponds.

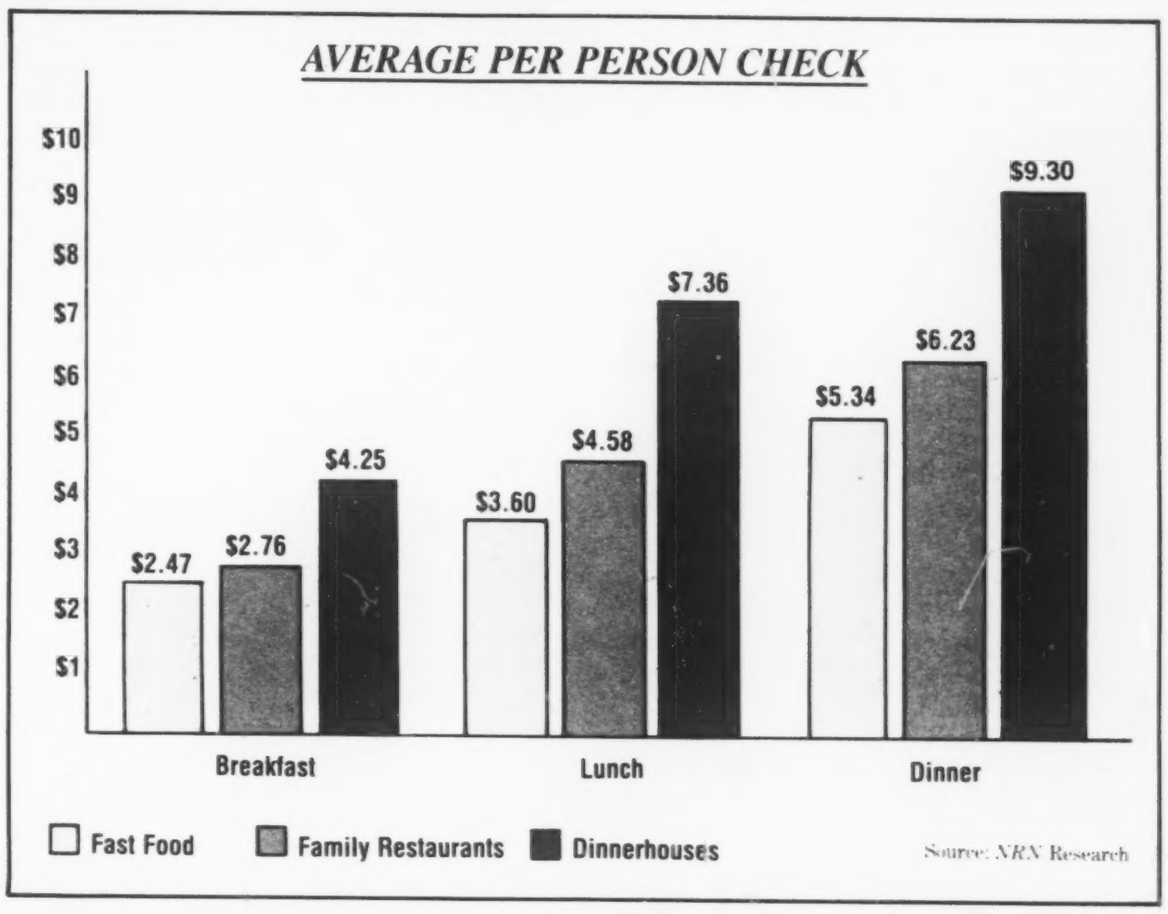
Staying small has its advantages, Ted Pritchard, senior vice president of (Compri) Hotels, owned by the 18-unit Doubletree Inns. Operating in a small area allows operators to "stay in touch with what's going on in the market, and it doesn't take you long to do things."

Stephen Elmont of Creative Gourmet, echoing the opinions of other small contract feeders, claims that big nationals don't have "the mindset" to offer their clients customized menus as many of their second-tier competitors do. "They're feeding the masses, and we're feeding the people," Elmont says.

Being smaller than the nationals, those in the second tier—loosely defined by *Nation's Restaurant News* as any multiunit operation below the Top 100 that is not owned by a large food-service company—may not enjoy the economies of scale of their large competitors. But the best operators in the second tier have a proven ability to respond quickly to changing consumer tastes—critically important in an industry that is increasingly consumer driven.

Case in point is the consumer demand for large fast-food burgers served in an upscale setting that was correctly perceived several years ago by entrepreneurs such as Chili's

*(See **CHAINS**, page F4)*



SECOND-TIER CHAINS AT A GLANCE

	Fast Food	Family Restaurant	Dinnerhouse
Average Per-Unit Sales:			
1983	$400,000	$1.0M	$1.6M
1984	$470,000	$1.0M	$1.6M
Average Per-Person Checks:			
Breakfast	$2.47	$2.76	$4.25
Lunch	$3.60	$4.58	$7.36
Dinner	$5.34	$6.23	$9.30
Average Number of Units of Chains Surveyed	84	57	39
Average Number of Units added in 1984	11	6	7
Number of Units now Planned for 1985*	18	6	10
Per Cent of Chains Making Menu Major Changes in 1984	25%	39%	50%
Per Cent of Chains Planning Menu Expansion in 1985	60%	72%	75%
Per Cent of Chains Raising Prices in 1984	80%	94%	58%
Average Per Cent Menu Price Increase	4.8%	4.7%	5.1%
Per Cent of Chains Serving Alcohol	40%	61%	38%
Of Those Chains Selling Alcoholic Beverages, Per Cent Selling:			
Beer	100%	100%	100%
Wine	75%	100%	100%
Hard Liquor	12%	82%	100%
Per Cent Noticing Decline in Bar Sales in The Past Year**	12%	27%	40%
Per Cent of Chains Advertising To Consumers	90%	94%	83%
Average 1984 Advertising Expenses	$1.25M	$575,000	$1.0M
Per Cent of Chains Planning to Increase Ad Spending in 1985	78%	47%	40%
Average Number of Employees Chainwide	1,150	1,950	1,840
Average Number of Unit Employees	15	43	63
Average Number of Headquarters Employees	35	42	25

Source: *Nation's Restaurant News* Research

*Of those chains planning expansion this year: 100% of fast feeders, 83% of family restaurant and 92% of dinnerhouses.

**Average decline in alcoholic beverage sales was 13.1%

Figures shown in this chart were compiled from a survey of fast-food family restaurant and dinnerhouse chains with annual systemwide sales of less than $162 million, which was the cutoff point for *Nation's Restaurant News'* 1984 Top 100 Chains list.

Second-tier chains have a year of mixed results

(Continued from page 1)

customer traffic softness in 1984. Even though 94% of the family restaurant chains surveyed raise menu prices an average of 4.7%, unit sales remained at an average of $1 million, the same as the previous year. Dinnerhouse sales averaged $1.6 million, the same as in 1983, even though 58% of the chains surveyed hiked menu prices an average of 5.1%.

Other important points gleaned from the survey:

- Fast feeders expanded units at a rate of 15% in 1984 and plan to increase the rate of unit growth to 21% this year. Family restaurant chains are slowing unit growth to an average rate of about 10% this year compared with 12% in 1984. Dinnerhouses will increase their rate of expansion to an average of 26% this year.
- Of those second-tier chains serving alcoholic beverages, 12% of the fast feeders, 27% of the family restaurants and 40% of the dinnerhouses noticed an average 13.1% drop in bar sales.
- A vast majority of second-tier chains—60% of fast feeders, 72% of family restaurants and 75% of dinnerhouses—plan to expand menus this year.
- Average per-person checks for each meal period vary greatly in the second tier. At dinner the average fast-food check is $5.34, compared with $6.23 at family restaurants and $9.30 at dinnerhouses. At lunch average checks are $3.60 at fast feeders, $4.58 at family restaurants and $7.36 at dinnerhouses. The spread at breakfast is narrower: $2.47 at fast-food outlets, $2.76 at family restaurants and $4.25 at dinnerhouses.

Many of the operators who either changed menus last year or are planning to do so in 1985 said they are making changes because of consumer demands for fresh and "lighter" foods, the need to raise volumes by adding new meal periods and successful tests of new products.

In the second-tier fast-food segment, the most popular new menu items are chicken nuggets, unusual pizza toppings, salads, appetizers, specialty sandwiches, barbecued ribs and chicken, breakfast and salads.

Despite the overall trend toward expanded menus in second-tier fast-food chains, several operators said they are planning to trim the number of choices on their menus. "We were too diversified," commented one operator. Having fewer menu items, he added, will mean "less confusion to the customer and faster service."

Family restaurant operators said they are adding more appetizers, salads, sandwiches, Mexican and Tex-Mex foods, breakfast bars, pasta, seafood and grilled dishes.

According to dinnerhouse operators, they are adding such menu items as seafood, chicken, pasta and salads for consumers who count calories; ribs because of their popularity, and other items to build visiting frequency.

"We added various seafood items in 1984," said one steakhouse operator. "We have added sushi to our menu. We were always a steakhouse chain. Now the public is becoming more health conscious, so seafood is a must."

Lebhar-Friedman Research, a unit of Lebhar-Friedman Inc., *Nation's Restaurant News'* parent, conducted the survey of second-tier operators in February. Operators with systemwide sales of less than $150 million in various parts of the country were interviewed.

FOCUS | NRN

BIG FISH IN SMALL PONDS

'Nobody is going to eat a hamburger every day. We don't mind being next to the big buys. We're best at what we do.'

—Chuck Leaness, Blimpie's

(Continued from page F3)

founder Larry Lavine and Fuddruckers' founder Philip Romano. Numerous large chains at first rushed to acquire both operations and, failing that, picked up others or developed their own copycat chains. Saga purchased Spoons after Lavine turned down an attractive bid. Pillsbury, another Chili's suitor, is testing J. J. Muggs and Diversifoods has Moxie's.

This upscale burger segment has since gone through its own segmentation, with Chili's evolving into a hybrid casual theme restaurant with alcoholic beverages and table service, and Fuddruckers and Flakey Jake's sticking with a self-service approach.

In several major segments, smaller chains were the ones developing some of the most popular, most imitated and most successful new menu items and concepts. Home delivery, once the domain of mom-and-pop pizza operators, is now being used or tested by most larger pizza chains. And while smaller operators such as Pizzeria Uno were among the first to offer unusual toppings such as a shrimp, crab and garlic pizza, most of the larger chains are now experimenting with such unusual toppings.

The industry, meanwhile, remains fascinated with the chain possibilities of Italian and Asian dinnerhouses, though national concepts have yet to emerge. However, Pizza Hut founder Frank Carney's China Rose concept is being closely watched and two food-service giants have picked up Italian concepts which they plan to expand: Collins Foods acquired the 10-unit Josephina's Cafe and Hardee's purchased Louisville's Mamma Grisanti's.

Still embryonic, the "pollo" segment (marinated chicken grilled over charcoal) is growing fast. While Denny's has already picked off El Pollo Loco, several other chains, including Marco Pollo and El Pollo Asado, show promise.

Taking regional foods to new areas has also proved a winning formula for some smaller operators. Po' Folks is making a splash with down-home cooking served in a family restaurant environment and already has its imitators. Fort Lauderdale-based Zackly's and giant Diversifoods' Luthers, which was started by Chandler, the one-name entrepreneur who also established Spoons before selling to Saga.

In the hotel segment, it was small independents such as Guest Quarters which helped create the first all-suite concepts that in a few short years have been copied by nearly every major lodging chain.

Acquisition moves by major chains and food-service companies who closely study the second tier produce mixed results. Saga so far has been unable to get Spoons off the ground but has had better luck with Grandy's, an upscale chicken chain.

Other acquisitions of second tier chains have included Collins Food's purchase of Josephina's, Emma's Taco House and Chicago's Gino's East pizzeria; Denny's purchase of El Pollo Loco, which it plans to expand, and W. R. Grace's acquisition of Carrow's, an upscale family restaurant chain; Diversifoods' purchase of Godfather's, a once high-flying pizza chain that is in serious trouble, and Horn & Hardart's purchase of Bojangles', a spicy chicken-and-biscuits concept that serves breakfast.

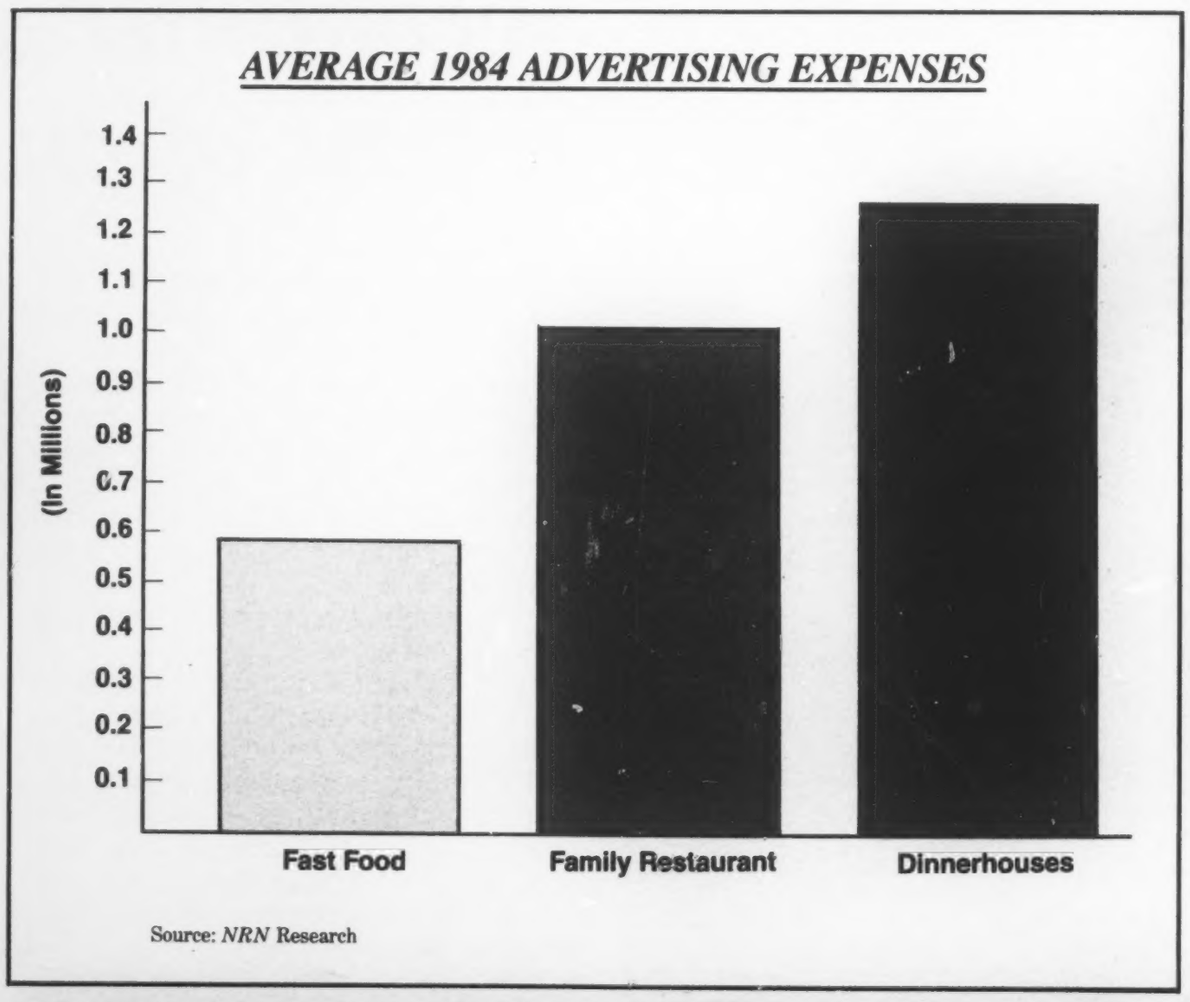
Of course, not every successful entrepreneur in the second tier is interested in selling out. Chili's Lavine spent the better part of two years fighting off offers from such suitors as Pillsbury and Saga before making Pillsbury's Norman Brinker an offer he couldn't refuse; Brinker is now chairman and chief executive of Chili's and Lavine has left the chain.

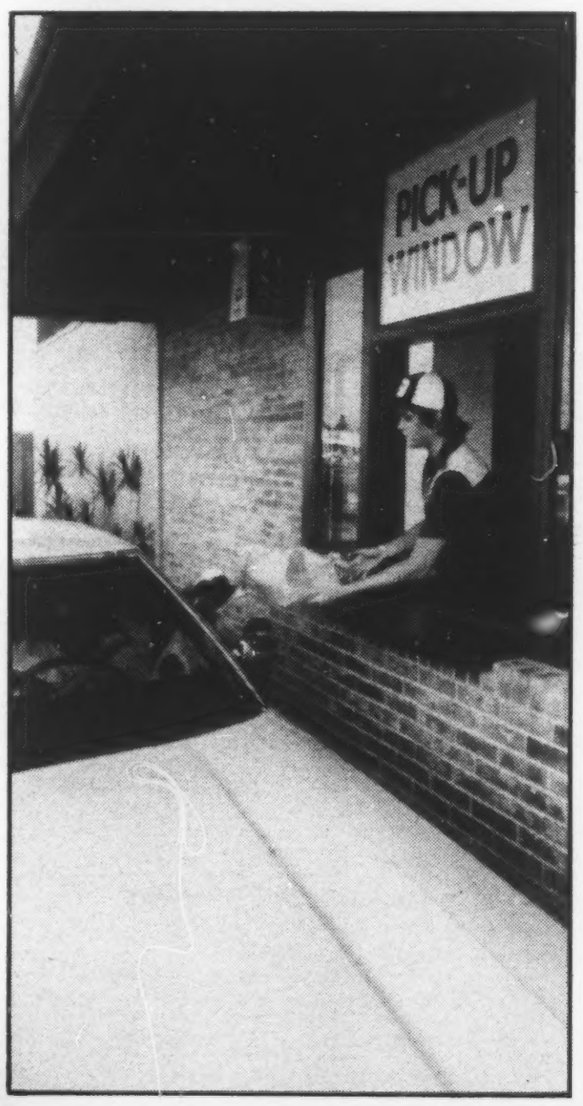
Meanwhile, other entrepreneurs are staking their claim in specific and sometimes new market niches. Before he was forced to retire because of poor health, Mark Weiss helped to develop the Fresher Cooker "healthy" fast-food chain. And Doug Sheley is busily expanding his own chain of reduced-calorie fast-food restaurants called D'Lites.

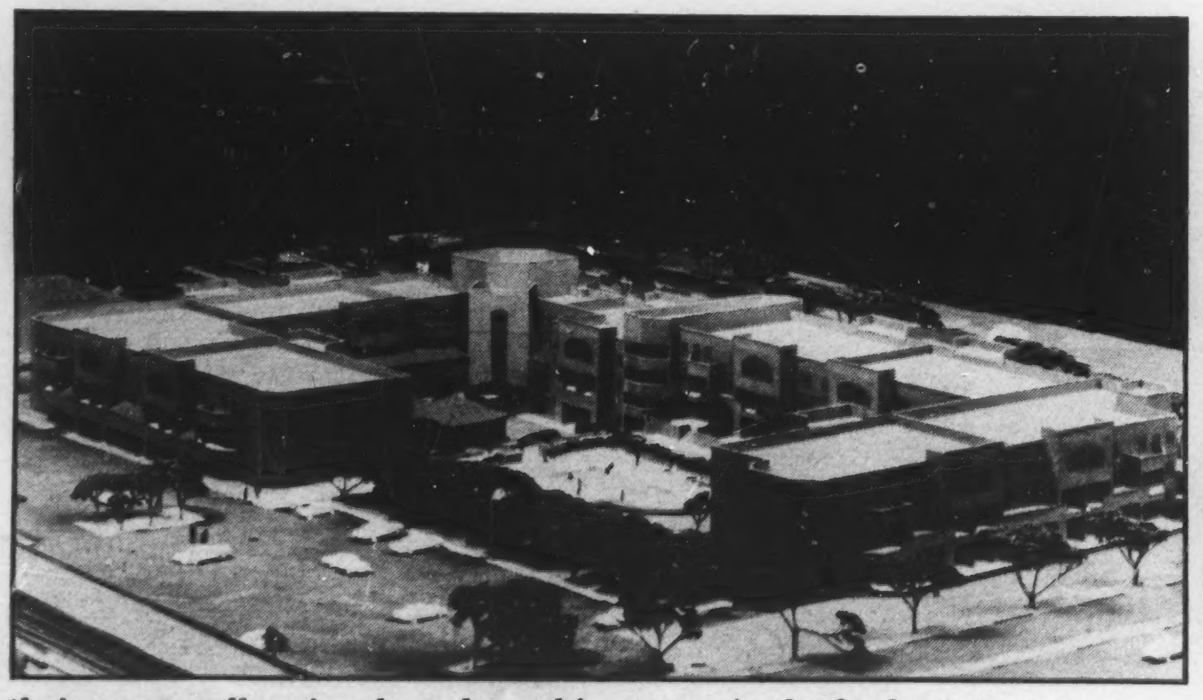
Just because a chain is unique, small and headed by an entrepreneur does not, of course, guarantee success. Some of the brightest stars of the last two years have been stumbling lately, perhaps because they expanded too quickly.

Among those having trouble are G. D. Ritzy's, a fast-food burger and ice cream chain with a 1950's theme; Naugles, a once fast-growing chain of mostly take-out Mexican fast-food, and Peoples, spun off by Bonanza and now in the process of converting most of its remaining 26 units to either Cap't. Crab or Studebaker's units.

Some whose concepts have become dated are able to bite the bullet and convert to new concepts. Beefsteak Charlie's, which has made its way onto past Top 100 lists, is now converting many of its outdated steakhouses into Tallulah's American Cafe and other concepts.







The second-tier chains are big fish in their own small regional ponds, making waves in the food-service industry.

FOCUS | NRN

'Pollo' chicken chains pecking out path to profit

By Richard Martin
West Coast Editor

Hatched from a single, inspirational El Pollo Loco "goldmine" unit in Los Angeles little more than four years ago, the Mexican-style "pollo" (*poy-oh*) chicken segment has produced three chains so far that intend to peck out a path to profit.

On comparatively fast growth tracks, with relatively high unit volumes and low-overhead fast-food formats, the three rival char-grilling concepts—El Pollo Loco, El Pollo Asado and Marco Pollo—agree among themselves that they are the only contenders in the pollo chain arena.

But other promising nonfried chicken outfits persist nonetheless, like the Greek-flavored Chirping Chicken and Here Chick Chick Chick in New York, or the scores of other mom-and-pop "pollo" operators in the Southwest and elsewhere.

Birds of a feather, the three segment leaders share the same Mexican conceptual roots, along with similar limited menus featuring marinated, butterfly-cut grilled chickens sold with tortillas and Mexican salsa for about $3.25 for half a bird. To their mutual advantage the three offer a chicken product that is cooked where customers can see it served up, literally, hot off the grill.

El Pollo Loco, now owned by Denny's and expanded from 19 to 35 units in southern California and Texas, is clearly the growth leader of the pollo pack, although—like the others—net profits have not yet materialized due to start-up costs. Unit volumes reportedly range from the nearly $750,000 to $1 million.

Phoenix-based El Pollo Asado, after quickly selling out its first public stock offering, is also poised for rapid expansion beyond its current seven units, which reportedly have sales of about $728,000 each on an annualized basis.

Cincinnati-based Marco Pollo, the year-old transplant to Ohio that started as one of the hundreds of Pollo Loco clones in the Los Angeles area, has just inked a 10-unit expansion pact with a Florida franchisee, and is about to open its second Los Angeles-area unit and its fourth in the Greater Cincinnati market.

Although volume and profit projections are difficult given Marco Pollo's "embryonic" status, president Philip Goldman says that per-store sales of between $700,000 and $800,000 with 25% pretax store margins are distinct possibilities. Marco Pollo's attractive—and typically low—labor cost is 19% of sales, and "could drop to 16% as volumes grow," Goldman says.

Convinced that health-price/value-consciousness will further their growth objectives, the "pollo" chains are taking aim at the fast-chicken market overwhelmingly dominated by purveyors of deep-fried products.

But the major chicken chains have not ignored the "pollo" threat. Saga Corp. chairman Charles Lynch says his company's fast-growing fried chicken chain, Grandy's, is ready to add a flame-grilled chicken product if the market shifts markedly in that direction.

KFC, Church's and Pioneer have tested the market for "pollo" chicken, but have backed away, citing reasons including "limited appeal."

However, El Pollo Asado marketing vice president Donn Seidholz thinks KFC and the others want to keep their distance from the "pollo" market only to save face. By launching nonfried chicken spinoffs, "They'd be admitting they've been selling an inferior product," Seidholz says.

Pollo Asado is banking partly on consumer education in its quest to gain a share of the fried chicken market. Seidholz points out that the typical eight-piece, 2¾- to 3-lb. whole Pollo Asado chicken has 904 calories and 328mg of cholesterol, against 1,690 calories and 740mg. of cholesterol in the nine-piece, 2- to 2½-lb. whole KFC chicken.

El Pollo Loco tells customers that its typical meal weighs 25% more than a comparable fried chicken meal having the same calories, yet has 65% more protein, 30% less fat and 20% less sodium.

However, Marco Pollo's Philip Goldman says flame-broiled chicken does not compete as directly with fried chicken as some believe. "The fried-chicken consumer wants fried chicken," Goldman says, identifying his marketing target as the upscale fast-food burger customer "not tied to fried chicken," who is "slowly but surely tiring of the chaotic atmosphere of fast food." Goldman says he would have his market cornered if enough consumers develop a Marco Pollo habit. "A flame-broiled chicken product is just nonexistent elsewhere," he says.

Although the "pollo" phenomenon in the United States was launched in late 1980 by an eager Hispanic customer base in Los Angeles, the three chains see today's market expanding dramatically.

"Basically, what we have here is a white, middle-class 'Anglo' product," says Pollo Asado's Seidholz, pointing to educated married couples in the 25-49 age group as his typical customer base. Pollo Asado says it has learned it no longer needs to locate units in areas with at least a 25% Hispanic population

Similarly, Goldman says Marco Pollo appeals to those in a 24-39 age group, from households with incomes over $20,000. For the Cincinnati market, "We have Anglicized the concept considerably," he says.

El Pollo Loco's marketing manager Margaret Jenkins says that virtually all of her chain's recent growth in southern California has been in non-Hispanic neighborhoods.

As more Americans are eating more poultry, the advent of "pollo" chicken increases the options open to fast-food patrons, Jenkins believes. "Up to now if you didn't want it fried, you had to eat it at home," she says.

El Pollo Loco, which had earlier intended to expand its concept into El Pollo Asado's home market in Phoenix, has decided instead to study its six-unit Houston expansion market while building a like number of outlets in San Diego this year.

Meanwhile, El Pollo Asado has readied for growth by hiring 17-year A&W and Bonanza Steakhouse franchising veteran Ed Kosan as franchise development vice president. El Pollo Asado's founders and majority shareholders, former Garcia's of Scottsdale executives Dick Lipson and Rick Peterson, have also hired 10-year Friendly Ice Cream Corp. financial executive Ron Paradis as chief financial officer.

El Pollo Asado netted about $1.8 million for expansion when it sold out in four days last October the 45% of its stock it has offered to the public at $3 a share. The stock currently trades in the $5 range.

Seidholz believes that many of the mom-and-pop "pollo" outlets will be squeezed out of business because, unlike professionally managed companies like El Pollo Asado, they can't afford systems to assure the consistency of their core menu item, which demands strict monitoring and control throughout its 45-minute cooking cycle. Referring to the recent completion of his company's video-cassette training programs, Seidholz says, "There is lots of room for mistakes, and I can't see a mom-and-pop outfit spending $50,000 for training films."

El Pollo Asado has what may be the most flexible menu of the three chains. Its biggest selling item is the eight-piece whole chicken for $6.79 with tortillas and salsa. The chicken is available all alone for $5.89. For $7.79 customers get the tortillas, salsa and a choice of beans, rice or potato salad.

An El Pollo Asado lunch, called the "light eater," combines two pieces of chicken with tortillas, salsa and potato salad for $2.29. The company's larget combo order is the 20-piece "party fiesta" for $17.59, including tortillas, salsa and three 1-pint side orders.

Pollo Asado says it now fields more than a dozen franchise inquiries a day. The four-unit rights to Tucson were recently sold, along with a franchise in Santa Rosa, Calif. Two of the three units currently under construction in Phoenix are franchised, with three more expected to break ground there by spring.

Marco Pollo's standard 2,050-sq.-ft., 48-seat freestanding building with drive-thru costs about $185,000 to build and $95,000 to equip. A turnkey franchise unit, including real estate, can cost between $350,000 and $600,000, Goldman says.

Employees at an El Pollo Loco unit in Los Angeles grill the chicken. The chain had $4.7 million in systemwide sales for 1984.

SELECTED 'POLLO' CHAINS

Chain	Systemwide Sales (In Thousands) 1983	1984	Average Same Store Sales (In Thousands) 1983	1984	Average Per Person Checks* 1983	1984	Number of Units 1983	1984	Menu Price Hikes 1983	1984
El Pollo Asado Phoenix, Ariz.	$300	$3,500	$600	$ 728	$2.75	$2.95	2	5	—	7.0%
El Pollo Loco Santa Fe Springs, Calif.	N/A	4,700	N/A	750-1,000	N/A	1.71	19	31	—	3.5
Marco Pollo Cincinnati, Ohio	—	N/A	—	N/A	—	2.20	—	4	—	—

*About 75% of "pollo" sales are take-out, feeding an unknown number of people. Per-person checks are estimates.
N/A = Not Available
Source: *NRN* research